

## EXECUTIVE SUMMARY

In the early 1990's, Connecticut was one of many states across the country that experienced a phenomena that stimulated the search for new housing solutions and new community-based services. Homeless shelters were at capacity, hospitals around the State were treating numerous episodes of illness and injury among indigent, often homeless, abusers of alcohol and drugs, and the State of Connecticut had been progressively discharging long-term patients from its three large mental health hospitals for several years.

The State of Connecticut (the "State") and the Corporation for Supportive Housing (CSH"), a national, nonprofit intermediary organization whose mission is to expand the quantity and quality of service-supported, permanent housing for individuals with special needs who are homeless or at risk of becoming homeless, joined forces in June 1992 to design and implement a demonstration program to address the housing issues facing homeless and at-risk populations. The understanding between the parties was that the State would identify the necessary financing and, if this were accomplished, CSH would dedicate \$900,000 of its own national funds to the initiative, raise matching funds locally, make equity investment proceeds available to the project, and staff the development of the Program. The production target was 400 units of housing to serve the intended population by bringing together multiple forms of public and private financing, by working through community acceptance and approvals for specific supportive housing projects, by managing the project planning, construction and "rent up" of buildings, and by providing for effective, coordinated operation of both the building properties and the service programs for tenants. The joint initiative became the Connecticut Supportive Housing Demonstration Program ("the Program"), which ultimately produced 281 units of service-enriched permanent housing for homeless and at-risk populations.

The concept of supportive housing had been tested on a relatively large scale in New York City, Chicago, and the San Francisco Bay Area by 1992 when the Melville Charitable Trust funded CSH to assess the feasibility of a supportive housing demonstration program in Connecticut. But the concept had not been tested to the same extent in mid-size cities like New Haven and Hartford, or in towns the size of New Britain and Middletown. Although there was a "model" for supportive housing, it would require adaptation to Connecticut's governmental structures and interests and to local conditions and needs. This study is an objective evaluation of that adapted model for supportive housing.

The purpose of this study is to perform an objective evaluation of the Program in a number of key areas. One of the primary purposes of the study is to determine if stable housing reduces the need for expensive health and social services over time, enhances the quality of life of its residents, and allows residents to attend to their employment and vocational needs. This determination is being made through an analysis of data on the residents and their service usage over a three-year period. In addition, the study is intended to evaluate the financial stability of the projects participating in the Program over a three-year period. This report is the second of three reports that address these two key areas of tenant outcomes and project financial stability. The first Program evaluation report, issued in

October 1999, also included a financial analysis of the Program's costs and its cost effectiveness, an assessment of the aesthetic and economic impact of the siting process, and an analysis of the development phase of the Program.

### **Organization of Study**

This year's study is divided into three components. The first component, the "Executive Summary", details the highlights, conclusions, and recommendations of the other components of the report. The second component of the study, entitled "Effect of Supportive Housing on Tenants", analyzes data derived from surveys that were completed by tenants, property managers, and social services providers. It also analyzes data regarding the use of social services by the tenants and the costs of Medicaid services rendered. The third component of the study, "Project Financial Stability", evaluates the financial stability of the individual projects using defined and developed methodologies.

### **The Consultants**

This year's evaluation was performed by two separate consultants: Arthur Andersen LLP and The Center for Mental Health Policy and Services Research of the Department of Psychiatry at the University of Pennsylvania Health Care System ("UPENN").

The Center for Mental Health Policy and Services Research of the Department of Psychiatry at the University of Pennsylvania Health Care System was engaged to produce a detailed description of the Program and to determine if the provision of stable housing reduces the need for expensive health and community social services over time. UPENN used both data derived from surveys and secondary data. The survey data came from two sources, tenants and service providers, including property (building) managers, social services directors or supervisors, and case managers/case workers. There were four survey instruments for tenants that were administered at six-month intervals by case managers/case workers as interviews. Property managers, social service supervisors, and case managers completed written survey instruments. Secondary data were obtained from two governmental agencies, the Department of Social Services, Medicaid Unit, and the ABBY client tracking system of the Connecticut Department of Mental Health and Addiction Services. Based on the data obtained, staff at UPENN prepared the chapter entitled "Effect of Supportive Housing on Tenants."

Arthur Andersen LLP, a multidisciplinary professional services firm, was engaged to collect and analyze data from project sponsors, property management, and social service providers and from CSH, local municipalities, and the State. The data were collected from the projects' Statements of Cash Flow, submitted to the Connecticut Housing Finance Authority ("CHFA") and the State of Connecticut Department of Economic and Community Development ("DECD"); from audited financial statements; and from interviews with Program participants. Those data were used by Arthur Andersen to write the chapter of the report entitled "Project Financial Stability".

## **The Connecticut Supportive Housing Demonstration Program**

Statistics related to homelessness and persons at risk bear out the need for supportive housing that the State of Connecticut recognized during the early 1990's. Forty-one shelters receiving State funding reported that about 15,600 different people used the shelters between October 1992 and September 1993. Approximately half of the shelter residents had been evicted by landlords or family and friends. Data from two years later showed that ninety-two percent of the single-person shelter population was concentrated in three counties - Fairfield, Hartford, and New Haven - although the shelters within the Connecticut Coalition to End Homelessness network were scattered across 25 towns. At the end of 1993, Connecticut had an estimated 25,000 cases of HIV/AIDS and the sixth highest per capita rate of AIDS cases in the nation. Furthermore, over the previous decade, the State had been progressively discharging long-term patients from its three large mental health hospitals, reducing beds in the facilities from 2,358 in 1983 to 1,186 in 1993, a decline of 62%.

The Program was designed to provide supportive housing, which is a non-institutional form of housing for people who have special needs but who are able to live independently if they have some assistance. In supportive housing projects, tenants have their own apartments, they enter into rental agreements and pay their own rent, and the housing is intended to be permanent as long as the tenants abide by the terms of their leases. In most supportive housing projects, there is common space for tenants' social activities and security systems to keep tenants safe and to control access to the project buildings. Although counselors are present during daytime and some evening hours, tenants are not required to obtain assistance from the social services providers - i.e., the utilization of case management services by the tenants is completely voluntary.

Unlike the development of most residential programs for people with special needs, the development of supportive housing involves bringing together multiple forms of public and private financing, obtaining community acceptance and approvals for specific supportive housing projects, managing project planning, construction and "rent up," and providing effective, coordinated operation of both the property and the service program. In addition to the usual housing development tasks of financing and siting, owners and property managers confront, with the advice of the on-site service providers, questions of tenant qualifications and tenant mix (both in terms of ability to pay rent and special needs); structural and other building accommodations for special needs; tenant screening procedures; on-site staffing; security; eviction policies that would support the revenue needs of the buildings and the needs of vulnerable tenants; and protocols for communication between property managers and service providers.

### **The Program Partners**

There are various partners that are participating in the Program. The following chart lists all of the Program partners and, where applicable, their financial investments in the Program or the projects with which they are associated:

### **Public Funders of the Program**

#### **Providers of Capital Financing**

- Connecticut Department of Economic and Community Development (DECD) - \$62,500 per developed unit
- Connecticut Housing Finance Authority (CHFA) – \$12,500 per developed unit (also administrator of Low Income Housing Tax Credits)

#### **Provider of Annual Service Funding**

- Connecticut Department of Mental Health and Addiction Services (DMHAS) – \$5,000 per year per special needs unit
- Connecticut Department of Social Services (DSS) – \$2,500 per year per special needs unit

#### **Provider of Project-based Rental Subsidies**

- U.S. Department of Housing and Urban Development (HUD) – \$7,947,000 Program Grant

#### **Policy Coordinator**

- Connecticut Office of Policy and Management (OPM)

### **Private Funders of the Program**

#### **Provider of Predevelopment Loans, Technical Assistance, Capacity-Building Grants**

- Corporation for Supportive Housing (CSH) – \$2,381,364 total of loans, grants and technical assistance

#### **Funders of CSH**

- Ford Foundation, Pew Charitable Trusts, Robert Wood Johnson Foundation
- Connecticut philanthropy, including: Community Foundation for Greater New Haven, Ensworth Charitable Foundation, Fairfield County Foundation, Fisher Foundation, Greater Bridgeport Area Foundation, Hartford Courant Foundation, Hartford Foundation for Public Giving, George A. and Grace L. Long Foundation, and Melville Charitable Trust

#### **Investors in Projects for Operating Reserves and Capital Costs**

- National Equity Fund (NEF) – \$28,000,000 (approximate Program total)

# CONNECTICUT SUPPORTIVE HOUSING DEMONSTRATION PROGRAM – PARTICIPANTS

<u>Projects</u>	<u>Lead Sponsor</u>	<u>Service Provider</u>	<u>Property Management</u>
Liberty Commons 8 Liberty Street Middletown	The Connection Fund	St. Vincent DePaul Place	Community Housing Management
Hudson View Commons 525 Hudson Street Hartford	Broad Park Development Corp	Chrysalis Center	Broad Park Development Corp
Crescent Apartments 431 Washington Street Bridgeport	Central CT Coast YMCA	YMCA, Bridge House, Family Services Woodfield, Regional Network of Programs	Community Housing Management
Colony Apartments 41 Ludlow Street Stamford	St. Luke's LifeWorks	St. Luke's LifeWorks	St. Luke's LifeWorks Community Housing Management
Brick Row 25 Vermont Drive Willimantic	United Services, Inc.	United Services, Inc.	Community Housing Management
Mary Seymour Place 2197 Main Street Hartford	My Sisters' Place	My Sisters' Place	Greater Hartford Realty Mgmt. Co.
Cedar Hill Apartments 1465 State Street New Haven	HOME, Inc.	Columbus House	HOME, Inc.
Fairfield Apartments 1062 Fairfield Avenue Bridgeport	Central CT Coast YMCA	YMCA, Bridge House, Family Services Woodfield, Regional Network of Programs	Community Housing Management
Atlantic Park 658 Atlantic Street Stamford	St. Luke's LifeWorks	St. Luke's LifeWorks	St. Luke's LifeWorks Community Housing Management

Given that many State agencies changed names and functions between 1992 and the end of 1995, the remainder of this report will refer to these agencies by their present names and acronyms, except when historic accuracy is called for:

**DECD** - Department of Economic and Community Development – the agency that was created when the Department of Housing and the Department of Economic Development were consolidated into one agency;

**CHFA** - Connecticut Housing Finance Authority;

**DMHAS** - Department of Mental Health and Addiction Services – the agency that was created when the Addiction Services Division of the Department of Public Health and Addiction Services and the Department of Mental Health were consolidated into one agency;

**DSS** - Department of Social Services – the agency that was created when the Department of Human Resources and the Department of Income Maintenance were consolidated into one agency; and

**OPM** - Office of Policy and Management- the State agency responsible for policy coordination.

In April 1994, a Memorandum of Understanding (“MOU”) was entered into between CSH and six State agencies – OPM, DECD, DMHAS, DSS, CHFA and the Department of Public Health and Addiction Services, which at the time was the State agency responsible for services to people with addictions. In the Memorandum of Understanding the State agreed to provide financial resources through CHFA and DECD for the Program to develop the project sites. DMHAS and DSS agreed to provide annual grants to the Program for on-site supportive services. CSH agreed to provide predevelopment financing to project sponsors and to provide grants to individual sponsors on an as-needed basis for core operating support. An interagency Taskforce chairperson was chosen to facilitate the overall coordination among Taskforce members, to convene meetings of the Taskforce, and to serve as the point person on press issues.

The project sponsors are community-based, nonprofit organizations that developed the projects and that serve as the general partners of the partnerships that own the projects. The selection of sponsors began in early 1993 with the publication of a request for qualifications (or “RFQ”) from not-for-profit organizations interested in the development and management of housing and the provision of supportive services to homeless, at-risk and low income individuals. Of the 28 applicants responding to the RFQ, ten organizations were selected to develop a total of 12 projects, two each in Bridgeport, Hartford and Stamford, and single projects in Bristol, Meriden, Middletown, New Britain, New Haven, and Willimantic (Windham). Project sponsors then chose property management companies to operate the projects and nonprofit social service providers to provide on-site support services to the tenants.

Other partners include the national foundations (Ford Foundation, Pew Charitable Trusts, Robert Wood Johnson Foundation) and Connecticut philanthropy that fund CSH’s efforts to provide predevelopment loans, technical assistance, and capacity-building grants. The U.S.

Department of Housing and Urban Development provides project-based Shelter Plus Care rental subsidies that are administered by DMHAS. Federal Low Income Housing Tax Credits ("LIHTC") are administered by CHFA and distributed to the projects to stimulate corporate investment. Corporate investment in the projects for operating reserves and capital costs is provided through the National Equity Fund.

### **Interagency Collaboration**

The Connecticut Supportive Housing Demonstration Program represented a unique arrangement to accomplish a State objective in 1992. It entailed partnerships, collaborative work, and consensus decision-making of many types and at many levels. Among the organizational features that marked the Program as pioneering at the time were:

- The involvement of six state agencies in a single initiative with the objective of providing coordinated, simplified, and expedited development and oversight of the initiative.
- A substantial role for private entities in the initiative - including coordination and leadership on some aspects. Specifically, the Corporation for Supportive Housing was a partner with the State in developing the Program, and was the primary source of money for pre-development costs of supportive housing projects and of technical assistance to the projects. Also, the National Equity Fund played a key role in Demonstration Program project financing.
- A collaborative grant-making initiative by nine Connecticut foundations to finance CSH's work in the State and to create a pool of funds for CSH to lend and re-grant to supportive housing sponsors to cover predevelopment and "soft" costs of the projects.
- Formal structures and agreements to join local housing developers and social service providers in the same projects as well as parameters for project design and service program implementation that encouraged and facilitated a collaborative approach to the day-to-day operation of housing with services.
- Agreements and procedures for one state agency (DSS) to transfer funds for services in the Demonstration projects to another State agency (DMHAS) and the authority to administer those funds; and agreements and procedures for a single quasi-governmental organization (CHFA) to oversee the development of projects that were financed with its own resources and with the resources of a State agency (DECD).

These unprecedented ways of doing business in the Supportive Housing Demonstration Program were intended to make possible a type of housing that most Program partners believed could only be created by bringing together different professions, different sources of funding, and different regulatory and oversight authorities under an integrated system of some type. To some partners, these new ways of doing public business constituted part of the

model for supportive housing generally, or for the Connecticut Demonstration Program specifically.

Development of projects was expected to begin in January 1993, with the whole process of site selection, design, bidding and construction to take from 12 to 30 months after that, depending on the specific plans for each project. The nine projects of Connecticut's Supportive Housing Demonstration Program that were built and occupied actually opened their doors between June 1996 and June 1998. Because the development of supportive housing is extraordinarily complex in the best circumstances, and it was untested in Connecticut at the beginning of the Program, the first project opened its doors almost 2 ½ years later than was originally planned.

### **The Financing and Development of Program Projects**

In the MOU entered into in April 1994, DECD agreed to provide a total of \$20 million in taxable bond financing and CHFA agreed to provide a total of \$4 million in loan funds from the proceeds of its Investment Trust Fund for the projects developed under the Program. DECD and CHFA provided capital financing in the form of construction and permanent loans at an interest rate of one percent annually. Loan principal is due as a balloon payment upon the earlier of sale or refinancing of the projects or at the end of 30 years.

Based on the funding amounts authorized by DECD and CHFA, DECD provided \$62,500 in financing per Program unit and CHFA lent \$12,500 per unit. Two of the projects received DECD's financing under the Affordable Housing Program, a third project received its financing through the Community Housing Development Corporation financing program, and the remaining six projects received their DECD funding from the PRIME financing program.

In addition to providing the capital financing, the State has incurred the costs of funding on-site supportive services. DSS and DMHAS agreed in the MOU to provide an annual, pooled support service grant of \$7,500 per unit reserved for persons with identified special needs. DMHAS disburses the funds and is required to examine the total on an annual basis and to budget additional funds, if needed and available, to cover inflationary escalations in project service costs. The State intends for the grants to be renewed annually during the term of the DECD and CHFA mortgage loans, unless the MOU is terminated. Currently, the cost to the State of funding the on-site supportive services is \$1,071,944 per year.

The projects were also financed using the Low Income Housing Tax Credit program (LIHTC), which is a Federal program that provides dollar-for-dollar tax credits to owners and investors in low income rental housing. Each project created a fund to finance shortfalls in revenue (which were expected, given the low incomes of the intended tenants) by "selling" the tax credits allocated to the projects by CHFA. The tax credits were syndicated by the National Equity Fund to yield a 15-year stream of investment income for corporate investors, who in turn provided cash to capitalize the operating reserves of the projects and to cover development costs above the \$75,000 per unit limit of the loan terms. NEF effectively became a limited partner in the projects, representing the tax credit investors, and the tax credit market tapped by NEF eventually produced about \$28 million for this purpose, ranging from



\$1.3 to \$3.2 million per project, depending on the number of project units. CSH administers the operating reserve funds for the projects, disbursing payments on the basis of DECD- and CHFA-approved budgets.

DMHAS administers project-based rental subsidies on behalf of the Program projects for units reserved for people qualified under the U.S. Department of Housing and Urban Development's Shelter Plus Care program. (These are 5 to 10-year federal subsidies requiring a match of state funds.) The total value of the subsidies to the Program reached approximately \$8 million for 138 of the 281 units developed under the Program.

Funds to cover predevelopment costs, including fees associated with site control, accounting, appraisal, architectural, engineering, environmental, legal, real estate and other services, insurance, property taxes, and other costs incurred prior to construction loan closing, were provided by CSH to projects through a line of credit averaging \$100,000 per project. CSH was repaid by project sponsors out of construction loans (for mortgageable costs) or equity investment proceeds (for non-mortgageable costs such as developers' fees).

Some of the project sponsors incurred predevelopment costs that could not be included within the overall costs that were mortgaged by CHFA and DECD. Therefore, those costs were deducted from the sponsors' developer fees. Furthermore, most of the project sponsors provided or obtained some type of additional financial assistance for the development and operation of the projects.

### **The Program Projects**

Nine housing projects were developed and are currently in operation under the Program. Each project consists of a single site with 25-40 housing units, generally efficiency and one bedroom apartments, along with common meeting rooms and staff offices. The first project that was developed is in Middletown, two are in Hartford, one is in Willimantic, two are in Bridgeport, one is in New Haven, and two are in Stamford. One of the project sponsors in Hartford, as well as the project sponsors in New Haven and Stamford, serve as managers of the properties, in addition to their roles as the project sponsors. The project sponsors in Willimantic, Bridgeport, Stamford, and one of the Hartford sites also provide the social services at those six locations.

Appendix A contains a complete listing and brief description of each of the Program projects.

### **The Program Tenants**

The tenants participating in the Connecticut Supportive Housing Demonstration Program are all single people with low incomes (at least fifty percent below the median annual income, as determined by HUD). At least seventy percent of the projects' apartments are reserved for occupancy by individuals who were formerly homeless or at risk of homelessness, and approximately fifty percent are reserved for individuals with identified special needs, such as serious mental illness, chronic substance abuse problems, or HIV/AIDS.

The Demonstration Program was designed specifically to serve a population with a high level of need, and it does. Four hundred one people enrolled as tenants between the opening of the first project in June 1996 and January 1, 2000. Of the enrolled tenants, UPenn reported demographic data in this report on the 167 individuals who entered the housing by January 1, 1998 and who responded to an initial survey. Over sixty-nine percent of these surveyed tenants reported having been homeless at some point in their lives. Only forty-five percent had lived independently in the time immediately before settling into the housing. Twenty-eight percent had lived in a “doubled up” situation, such as camping on a sofa in a friend or relative’s house, in the two years before tenancy in the Program. Eighty-two percent reported having moved at least twice in those two years.

Over one in ten survey respondents had been in foster care as a child, and over 19% had been a victim of violence before the age of 18. Twenty-three percent reported spending some time in jail or prison in the two years prior to entering the housing, and 37% percent reported having been hospitalized for health reasons during that same time period. Over thirty-six percent reported receiving mental health treatment in the two years prior to entering the housing, and over 35% percent received detox services during that time.

UPENN also found that almost a fourth (24%) of the survey respondents had spent an average of 17 months prior to entry into this housing in a homeless shelter or living on the streets. Another 3% percent lived in settings that are temporary in nature, such as hospitals and treatment programs. Ten percent of the tenant respondents lived in congregate housing and another 10% lived in other or unknown situations immediately before settling into the housing.

Of the tenant respondents, 73% are men, over 43% are African-American, a third are European-American, and close to 15% are Hispanic. The average age on entry into the housing is approximately 43 years.

### **Staffing at the Projects**

Project management in each of the nine projects generally has at least one staff person on-site during the day and someone on beeper during evenings and weekends. The on-site staff person may be either the property manager, an assistant to the property manager, or a maintenance superintendent. At least one case manager is also on-site during the day and sometimes on Saturday. Like property management, the social services staff is accessible by beeper at night and on weekends.

Generally, property managers make the decisions about who is accepted for tenancy. There is an application process to get into the housing, which includes an interview and credit check. To be considered for tenancy, applicants must have some housekeeping and cooking skills, must be able to look after themselves, and must have income adequate to pay at least a minimal rent. Reasons for rejecting an applicant include a history of violence, fire setting, and certain drug-related criminal activities.

As in most congregate residential settings from condominiums to cooperatives, all of the projects have house rules. Rules about overnight visitors vary from site to site, with most

sites allowing overnight visitors for a limited number of nights. Only one site reported not allowing overnight guests at all. The enforcement of the house rules falls to the property managers. Rule violations may result in verbal or written warnings or in Notices to Quit.

All projects have case management services available to all tenants. Case management services include linkage with other service providers, help with grocery shopping, and just “being there” as a supportive, caring person. One of the most important roles of the social service providers is to act as an advocate or interested party when a tenant is in danger of being evicted or is facing legal action for nonpayment of rent or for violation of another lease provision. When a tenant is in danger of facing legal action that will affect their housing, social service staff will talk to the tenant to determine the reason(s) why the tenant is not abiding by the provisions of the lease. Social service staff will then attempt to work with the tenant and with property management to remedy the issue.

Case managers/case workers all reported having at least an associate degree and several reported having Master’s degrees. At the time of UPENN’s study, the number of tenants using case management services varied from 100 percent in one project to less than 50 percent in other projects. Caseloads varied from nine to twenty-eight people, with most caseloads being eighteen or less. Nurse visits and housekeeping services were also delivered on site.

## **Results of UPENN’S Analysis** *(Chapter 1)*

This chapter of the evaluation focused on three aspects: 1) descriptions of the tenant population and its subgroups, 2) analysis of tenants’ healthcare service utilization and related costs prior to and following tenancy, and 3) tenants who have left the housing. UPenn performed its analysis by focusing on a subgroup of 213 tenants who entered the housing prior to January 1, 1998, with particular focus on the 167 tenants who filled out surveys and signed consent forms allowing access to secondary data. This subgroup was chosen because the data for this group allow sufficient follow-up and meaningful information. Within the subgroup, UPenn analyzed survey and secondary data for three samples: 1) the Full Medicaid sample, consisting of 125 tenants for whom Medicaid information was available; 2) a subset of the Full Medicaid group called the Long-Stay Sample, consisting of 98 tenants who stayed in the housing for at least two years; and 3) a subset of the Full Medicaid group consisting of 68 tenants who were part of the Shelter Plus Care Program. Seven major findings highlight the results of this evaluation.

First, **the Program serves the intended population.** As intended, a very large proportion of the tenants have a history of residential instability including being homeless or at risk of homelessness, having moved a great deal and doubling up with others. Smaller, but material proportions of the tenants have significant disabilities, including mental illness, substance abuse or serious physical disabilities that meet the eligibility criteria for the Program.

The second major finding is that, as a group, **the tenants decreased their utilization of restrictive and expensive health services**, mostly inpatient services. The decrease in use of medical inpatient services was true for most subgroups. Inpatient costs for the Full Medicaid sample were reduced 38%, for the Long-Stay Medicaid sample 58%, and for the more disabled Shelter Plus Care sample 18%.

Thirdly, there was a **marked increase in tenants' utilization of necessary on-going health care and support**. Utilization increased in two major areas: services, such as homecare, outpatient mental health and outpatient substance abuse, that enabled tenants to remain in the community; and medical and dental services to address previously unmet physical and oral health needs. The Program has been successful in linking its tenants to needed care, which accounted for the increased utilization.

The fourth finding revealed that while the average cost of healthcare service utilization decreased (e.g., inpatient) or increased (homecare, dental care), the number of service users tended to increase (with the exception of inpatient care). These findings point to **greater efficiency and the spreading of healthcare resources over larger numbers of people**.

A very important finding revealed **positive outcomes**. Tenants functioned at high levels, were able to develop goals and direction for themselves, progressed toward greater independence, and were satisfied with most aspects of the Program. While tenants expressed awareness of and concerns about social isolation, overall, the finding suggest that **being in the housing is beneficial for the people** it is designed to serve.

Comparisons of the tenant subgroups identified the Shelter Plus Care tenants as a most disabled group with the most troubled history. The small number of Shelter Plus Care users of specific services made some comparisons difficult. Overall, however, **some utilization (e.g., of home healthcare) was substantially higher for this group**.

Furthermore, there were substantial differences among the three subgroups of Full Medicaid, Long-Stay and Shelter Plus Care tenants. Comparing the total Medicaid reimbursement for all services provided to the Full Medicaid group two years prior and two years post-tenancy, reveals a 43% increase (\$547,468). That increase, however, was the product of a significant (38%) reduction in inpatient costs (\$126,528) coupled with a 72% increase (\$682,991) in costs for services that enabled tenants with disabilities to remain in the community and those services, such as dental care, that addressed neglected and on-going needs.

A similar partitioning of the data for the Long-Stay and Shelter Plus Care groups reveals a more striking pattern. The reduction in Medicaid reimbursement of inpatient care for the Long-Stay group amounted to 58%. The increase for all other services for the same group was 81%. A more extreme pattern is reflected in the Medicaid reimbursed services for the Shelter Plus Care tenants. The reduction in reimbursement for inpatient medical care of the Shelter Plus Care group was only 18%, but the increase in Medicaid reimbursement for their all other services was 140%. Evidently, the Shelter Plus Care sample, two thirds of the size of the Long-Stay and half of the Full Medicaid samples, accounted for a large proportion of

the changes observed. Being the most disabled and in need of services, Shelter Plus Care tenants experienced the least reduction in need for inpatient care and the largest increase in utilization of all other services.

Finally, about 17% of the tenants exited the housing and over a third (38%) of those who departed left under negative circumstances. Although not unique to the Program, this is a matter of concern, because, as reported above, staying in the housing is related to substantive improvements in a variety of areas for the tenants.

## **Results of Project Stability Analysis** *(Chapter 2)*

This chapter of the study analyzed the financial stability of the nine projects financed by the Program: Liberty Commons in Middletown, Hudson View Commons in Hartford, Crescent Apartments in Bridgeport, Colony Apartments in Stamford, Brick Row in Willimantic, Mary Seymour Place in Hartford, Cedar Hill Apartments in New Haven, Fairfield Apartments in Bridgeport, and Atlantic Park in Stamford. As of December 31, 1999, all nine of the projects had been operating for at least eighteen months.

Overall, the nine projects appear to be financially stable. Although all but one of the projects have operating reserve balances that are lower than projected, six of the eight are trailing their projections by minimal amounts that are most likely due to the investment activities of the operating reserve accounts. The other two projects behind their projections (Colony Apartments and Atlantic Park) have incurred much greater security expenses than anticipated, which has had a more significant effect on their operating reserve accounts. The financial stability of those two projects should not, however, be impaired as long as future expenses are monitored and annual sources of revenue (such as rental income) are sufficient to offset the higher expenses.

As with last year's evaluation of Liberty Commons, Hudson View Commons, Crescent Building, and Colony Apartments, the performance of parties who affect the financial stability of the nine projects has been commendable. Tenants are still not vacating the units in significant numbers, but when they do, the associated financial impact does not adversely affect the projects' financial stability. As of December 31, 1999, all nine projects have performed satisfactorily on a financial basis and the parties involved in managing the success of the projects have continued to do so while under tight budgetary constraints.

Some of the key findings of this year's financial analysis are the following:

### **Turnover and Occupancy Rates**

An analysis of turnover rates has demonstrated that, like last year, the projects have been able to retain a majority of the tenants. While the turnover rates were not as low for Liberty Commons and Colony Apartments as they were in 1998, only two additional units turned over at Liberty Commons in 1999 and a new property manager at Colony Apartments had to stabilize tenancy by evicting tenants in 1999 who had breached lease covenants in 1998. Hudson View Commons and Crescent Apartments experienced decreases in turnover rates

in 1999 because tenancy stabilized at Hudson View and one unit less turned over at Crescent Apartments.

Of the projects included for the first time in this year's study, the turnover rates were generally low and ranged from 5.9 percent at Fairfield Apartments to 37 percent at Atlantic Park. Atlantic Park's high turnover rate can likely be attributed to the fact that the project will need to operate for longer than a year to 18 months before the turnover rate stabilizes. The need for a sufficient time to be operating, as was the case in last year's evaluation of both Hudson View Commons and Crescent Apartments, is due to the uniqueness of both the projects' tenant makeup and the Shelter Plus Care screening process..

The analysis of occupancy rates, which ranged from 91.97 percent at Atlantic Park to 98.47 percent at Mary Seymour Place, shows, like it did in last year's evaluation, that even when a tenant vacates a unit, management is able to fill the unit in a short period of time. The low turnover and high occupancy rates indicate that the projects have continued to keep tenancy stable and the flow of tenant rental income steady. The projects are still not losing significant income due to vacancy and significant costs have not been incurred to prepare units for new tenants because the number of tenants vacating the units continues to be reasonable.

### **Impact of Social Service Staffing on Financial Performance and Project Stability**

Although there now seems to be a relationship between the number of hours that case managers spend onsite and the retention of tenants, no definitive conclusion can be reached with regard to onsite case managers and the turnover rates at the projects. While Colony Apartments and Atlantic Park have the greatest turnover rates with case managers onsite for the least number of hours per week, there are other factors that have influenced those two projects' turnover rates. Those other factors influencing Colony Apartments and Atlantic Park's turnover rates include unstable tenancy during the first 12 to 18 months of occupancy (due to poor initial screening of tenants) and the lack of solid property management at the two sites until December 1998.

In addition, of the remaining seven projects, Liberty Commons had case managers onsite for the least number of hours per week, and its turnover rate was lower than other projects that had social service providers onsite for 50 or more hours per week. Although no conclusion can be reached with regard to the relationship among onsite social service providers, property management, and tenant stability, there is a consensus that having social service providers onsite has proven to be a valuable resource that assists in addressing tenant issues and tenant retention.

### **Operating Performance**

As of December 31, 1999, seven of the nine projects had exceeded their original operating projections and assumptions on a cumulative basis. The cumulative net operating income exceeded projections by as little as \$6,375 at Liberty Commons and by as much as \$131,569 at Brick Row Apartments. Colony Apartments and Atlantic Park were behind their original cumulative operating projections by \$26,629 and \$36,056, respectively. Both projects had

lower net income than their original cumulative operating projections due to the greater costs of providing adequate security at the sites.

With regard to operating reserve balances, only one project, Mary Seymour Place, had a balance that was higher than projected by NEF. Of the other eight operating reserve balances, six were lower than projected due most likely to the amount of interest that was paid or the investment activity of those operating reserve accounts. As with the cumulative operating projections and assumptions, Colony Apartments and Atlantic Park had operating reserve accounts that were significantly lower than NEF's projections due to the annual costs of security at the two sites.

### **Capital Improvements**

Although the replacement reserves for all nine projects continue to be adequately funded, none of the nine projects have as yet budgeted the use of those funds for specific capital improvements. Each project had had sufficient funds from the operating reserve withdrawals to cover to-date capital expenditures.

### **Future Trends**

The comparison of each project's actual performance in 1999 to the 2000 operating budgets revealed that property management at all nine projects are creating annual budgets that take into consideration the financial circumstances and needs at each of the sites. Management at each project made adjustments to the 2000 operating budgets so that the budgeted income and expenses reflect the historical trends and current financial needs at the sites.

The 2000 budgets were also compared to the original NEF projections to determine if future budgets are consistent with the original projections. The 2000 budget for each of the nine projects differs from the original projections due to various circumstances. Some projects have projected greater revenues because there are Section 8 subsidies contributing to their revenues or tenants are paying greater portions of their monthly rents than was originally anticipated. Expenses at all of the projects are typically budgeted to be greater than what was projected because projects have had to provide greater security measures than originally anticipated, along with other expenses that are greater than projected by NEF.

While the security costs have been greater than expected and projected by NEF, those costs have not had adverse effects on the future operating reserves of seven of the nine projects and property management have been able to adjust those projects' budgets to accommodate the increased security costs. Colony Apartments and Atlantic Park are the only two projects that are behind their cumulative NEF projections due to the amounts that have been withdrawn from their operating reserve accounts to fund security at its current levels. Although the project sponsor is subsidizing security costs at both sites using the projects' DMHAS grants in 2000, additional sources of future funding will be necessary so that the operating reserves will not be depleted faster than anticipated. Furthermore, for all of the projects, additional future resources will be needed to provide adequate 24-hour security measures and adequate building services and amenities.

## **Final Thoughts and Conclusions**

As further expressed and illustrated in the following chapters, the Connecticut Supportive Housing Demonstration Program has been found to reduce the utilization of restrictive and expensive health services, enhance the quality of life of its tenants, and allow tenants to attend to their employment and vocational needs. Overall, the average reimbursement costs for the most expensive Medicaid services (medical inpatient) provided to Program tenants have decreased significantly from 18 months prior to tenants' entry into the housing to 24 months post-entry, the levels of tenant satisfaction with all aspects of the Program are high, and the number of tenants employed at least 10 hours a week has remained steady. Tenant utilization of on-going health care and other support services that enable them to remain in the community increased markedly after entry into the housing, as the Program successfully linked tenants to needed care. Occupancy rates are high and turnover rates are low at all nine projects that were analyzed in 2000, and property management and social service staffs have been working to ensure that the projects are run efficiently while not compromising the level of services and amenities provided to the tenants.